

Message Text

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FOR EUR/CAN AND VICE PRESIDENT'S OFFICE (BURNS AND BIEGING)

E.O. 11652: N/A
TAGS: ENRG, SOPN, OVIP (MONDALE, WALTER), CA
SUBJ: TORONTO STAR SUPPORTS VICE PRESIDENT'S NATURAL
GAS PROPOSAL

THE SECOND EDITORIAL IN THE JANUARY 20 TORONTO STAR HEADLINED
"GAS DEAL MAKES SENSE IF PRICE IS RIGHT" GENERALLY SUPPORTED
THE VICE PRESIDENT'S NATURAL GAS PROPOSALS. THE EDITORIAL IN
ITS ENTIRETY FOLLOWS:

QUOTE: THE DEAL OVER NATURAL GAS SUPPLIES PROPOSED BY U.S.
VICE-PRESIDENT WALTER MONDALE MAKES GOOD SENSE FOR CANADA
PROVIDED THE DETAILS OF AN AGREEMENT MAKE SURE THAT WE CAN
EVENTUALLY GET BACK THE GAS THE U.S. WANTS TO BUY NOW.

FOR THE IMMEDIATE FUTURE, ALBERTA HAS A SURPLUS CAPACITY
FOR GAS PRODUCTION. SINCE THE LONG-TERM FUTURE FOR ENERGY
SUPPLIES IS HIGHLY UNCERTAIN IT COULD MAKE SENSE FROM A
CONSERVATIONIST VIEWPOINT TO LEAVE IT IN THE GROUND.

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BUT IF THE GAS CAN BE SOLD NOW WITH THE GUARANTEE
THAT THE EQUIVALENT WILL BE AVAILABLE WHEN NEEDED FROM
THE ALASKA GAS FIELDS THROUGH THE ALASKA HIGHWAY PIPE-
LINE. CANADA WILL IN EFFECT BE PRESERVING THE ENERGY
RESOURCES IT MAY NEED IN THE LONG TERM.

MOREOVER AS MONDALE POINTED OUT, SALE OF THE SURPLUS GAS OVER THE NEXT FEW YEARS WOULD BRING IN MONEY THAT COULD HELP SPEED CONSTRUCTION OF THE ALASKA PIPELINE.

MONDALE ALSO INDICATED THAT THE U.S. IS WILLING TO SWEETEN THE DEAL WITH TRADE CONCESSIONS OF SPECIAL INTEREST TO ALBERTA, SUCH AS EASIER ACCESS TO THE U.S. MARKET FOR WESTERN CANADIAN BEEF. SO MUCH THE BETTER.

THE U.S. NEED FOR GAS COULD ALSO BE USED AS LEVERAGE TO GET ASSURANCES THAT ALL OR MOST OF THE PIPE FOR THE ALASKA LINE WILL BE SUPPLIED BY CANADIAN STEEL MILLS TO GENERATE JOBS IN CANADA.

BEYOND THESE IMMEDIATE TRADE-OFFS, HOWEVER, THERE IS A VITAL QUESTION OF PRICING.

WHATEVER SURPLUS GAS CANADA SELLS OFF UNDER A SWAPPING ARRANGEMENT, IT MUST MAKE SURE THAT IT CAN BE BOUGHT BACK AT THE SAME RELATIVE PRICE, ALLOWING FOR INFLATION.

IT WOULD NOT MAKE SENSE TO SELL OFF ALBERTA GAS NOW AND THEN HAVE TO BUY IT BACK AT WHATEVER PRICE AMERICANS CHOOSE TO SET FOR GAS WHICH WILL BE MUCH MORE COSTLY TO PRODUCE AND TRANSMIT BECAUSE OF THE REMOTE-
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NESS OF THE ALASKA FIELDS.

UNLESS A PRICE EQUIVALENT IS CLEARLY WRITTEN INTO ANY SWAPPING AGREEMENT. CANADA WOULD BE SIMPLY SELLING OF ITS ENERGY RESOURCES AT TODAY'S PRICES WITH NO MORE THAN THE RIGHT TO REPLACE THEM AT FUTURE WORLD PRICES.

THAT'S THE JACKPOT WE GOT INTO WITH OIL, AND WE'RE NOW PAYING HEAVILY FOR IT. UNQUOTE
DIGGINS

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